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This Week in Canadian Agriculture, Issue 27 2003

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Report Highlights:

New BSE Measures Announced By Government Of Canada * Canada Takes Further Action To Support Domestic Beef Industry * 'Years' Till Cattle Ban Is Lifted, Says Senior CFIA Official * Canadian Stance With U.S. Could Soon Get Much Tougher * Alberta Ready To Launch 'Plan B' Within Days * Western Canadian Cattle On Feed Numbers Plummet * DFC Urges Canadian Government To Clarify WTO Rules Through Litigation * New CWB Program Allows Farmers Access To 80% Of Initial Payment * Hot And Dry In Saskatchewan * Ontario Apple Growers Accept New Marketing Plan * Western Canadian Wheat Growers Association To Continue ...and MORE!

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Ottawa [CA1]
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

NEW BSE MEASURES ANNOUNCED BY GOVERNMENT OF CANADA— In a press release issued by Agriculture and Agri-Food Canada (AAFC) on July 18th, the Government of Canada (GOC) announced an additional measure to enhance the already existing food safety controls it utilizes regarding BSE. The new measure, developed jointly by AAFC and Health Canada, will require that specified risk materials (SRM), such as the brain and spinal cord, be removed from cattle at slaughter. This new measure will take effect on July 24th, and will only affect the carcasses of cattle older than 30 months, because scientific research has shown that cattle younger than 30 months do not contain the infective agent that transmits BSE. "We are taking steps to implement this important measure as soon as possible," said AAFC Minister Lyle Vancilief. "By removing SRM at slaughter we are making a very safe system even safer. It also further demonstrates to our trading partners that Canada remains a most reliable and responsible supplier of safe beef and beef products." Further information on SRM can be found at: <http://www.agr.gc.ca/cb/news/2003/n30718be.html>.

CANADA TAKES FURTHER ACTION TO SUPPORT DOMESTIC BEEF INDUSTRY— In a July 18th news release from the Canadian Department of Foreign Affairs and International Trade (DFAIT), the Government of Canada (GOC) announced that it has taken further measures to support domestic beef and veal producers by limiting the amount of supplemental imports it will allow. The GOC has said that all applications received after July 9, 2003 for supplemental imports from non-NAFTA countries will normally be refused. It has also delegated a government-industry committee with the task of examining the current policy on supplemental beef imports, as it affects all stakeholders in the beef industry. The new policy regarding supplemental beef imports will remain in effect until the committee reports back to the Minister for International Trade and the Minister for Agriculture and Agri-Food, no later than August 8, 2003. The entire article and background on Canada's current tariff rate quotas for beef can be found at: http://webapps.dfait-maeci.gc.ca/minpub/Publication.asp?FileSpec=/Min_Pub_Docs/106318.htm&Language=E

'YEARS' TILL CATTLE BAN IS LIFTED, SAYS SENIOR CFIA OFFICIAL: The July 24 *Edmonton Journal* reported that borders won't reopen to live cattle from Canada for years, says a top official with the Canadian Food Inspection Agency (CFIA). Francine Lord, national manager of imports and exports for the CFIA, said countries would likely consider Canadian cattle too risky, but she expects trade would resume in beef, bovine semen and embryos, if borders opened again to ruminants. The statement marks the first time an agency official has spoken publicly about what mad cow disease will mean for the future of Canadian cattle trade. "It's going to take awhile," Lord said of getting the live cattle ban lifted. "It depends on what we are going to be doing and what's going to happen. This is going to be the longest one. This is considered the highest risk." Last year, Canada exported nearly 1.7 million cattle to the United States, 511,656 coming from Alberta. The industry generated \$1.8 billion. According to World Organization for Animal Health guidelines, Canada was considered provisionally free of bovine spongiform encephalopathy (BSE) because while it had no homegrown cases, its ban on giving ruminants feed made from ruminants hasn't been in place for eight years. Lord said Canada would now classify itself as having a minimal BSE risk. Under the international body's guidelines, feed made from ruminants shouldn't be

imported from countries with any degree of mad cow risk. Lord expects countries will abide by this guideline, wiping out this part of Canada's export industry.

Reaction to Lord's remarks was swift. The *Globe and Mail* article continued, reporting that Herb McLane, spokesman for the Canadian Beef Breeders Council, was taken aback by Lord's comments. "I'm very disappointed a senior official in CFIA would articulate that position," he said. "We feel we are justified on a number of avenues, on the basis of science, that we have a safe product." Cindy McCreath, spokeswoman for the Canadian Cattlemen's Association, said cutting off trade to live cattle for years would cause great problems for the industry, but it could recover as long as borders reopened to beef. "We have a very integrated North American market. It works in a big circle," she said. "It would be problematic, but if we can get the border opened to muscle cuts of beef, it would be a big relief." McCreath believes a shutdown in live cattle trade would mean an expansion of Canada's meat packing industry.

CANADIAN STANCE WITH U.S. COULD SOON GET MUCH TOUGHER: The July 24 *Edmonton Journal* reported that a frustrated Canadian government is considering giving the U.S. a taste of its own medicine in an effort to pry open the border for Canadian beef. Cabinet ministers discussed ways Wednesday to pressure the U.S. into reopening the Canada-U.S. border to Canadian beef and cattle. Sources said ministers considered such tactics as shining a harsh spotlight on flaws and inconsistencies in the way some U.S. beef exports leave that country. A decision has been delayed to give the U.S. a little more time to reopen the border, sources said. Agriculture Minister Lyle Vanclief had little to say about the discussions as he left Wednesday's cabinet meeting. But he did say Canada is taking a hard look at the way U.S. and Japanese beef is handled for export. "We are continuously reviewing the systems in all of the countries, including Japan and the United States," said Vanclief. Trade Minister Pierre Pettigrew said he intends to raise the issue with counterparts during World Trade Organization meetings coming up in Montreal.

ALBERTA READY TO LAUNCH 'PLAN B' WITHIN DAYS: The July 23 *Globe and Mail* reported that Alberta is set to launch within days its Plan B for coping with the mad-cow crisis. The province is contemplating ways to reduce the number of cattle being sent to slaughter, with the resulting reduction in supply boosting prices for the remaining animals. Alberta Premier Ralph Klein said that the province will spend another \$60-million in compensation for the cattle industry, in addition to the \$100-million it has committed as part of a joint federal-provincial program. Other possible elements of Plan B include raising the cap on farm income support payments under current federal-provincial programs, and increasing loans available to ranchers to withstand delays in sales revenue of yearlings and newly weaned calves while export markets remain closed. Alberta is considering a new compensation program would pay out compensation to ranchers who agree to keep their animals out of slaughterhouses for at least 60 days. The beef industry urged Alberta Agriculture Minister Shirley McClellan on Friday to adopt such a measure. Ken Moholityny, assistant deputy minister at Alberta's Agriculture Department, said 100,000 animals would need to be sequestered until late September to dispel the "panic-selling" mindset in the industry, adding that the province would need to put any such measure into effect in the next two weeks. Some industry observers have said that a third of Alberta's 5.2 million cattle might need to be killed.

WESTERN CANADIAN CATTLE ON FEED NUMBERS PLUMMET: The July 21 edition of *Agriweek* reported that placements of cattle on western Canadian feedlots during June plunged 88% from a year earlier to just 18,481 head, an all-time low, because of the mad-cow situation. The number of cattle on feed as of July 1 was 569,162, 26% below last year and down 16% from a month earlier. Marketings by feedlots dropped 55% from June 2002

to 108,400. Of the total June placements, only 2,200 head went on feed at 800 lbs. or more, compared to 93,000 in June 2002.

DFC URGES CANADIAN GOVERNMENT TO CLARIFY WTO RULES THROUGH LITIGATION: In a July 23 news release from Dairy Farmers of Canada (DFC), DFC warned that the U.S. and New Zealand have programs that are at risk of being found inconsistent with their World Trade Organization (WTO) obligations on agriculture, citing the findings of a report from trade experts Grey, Clark, Shih and Associates, commissioned by DFC. DFC has provided the report to the Canadian federal government and has initiated discussions on how best to pursue these cases. According to the report, WTO dispute settlement processes have created new obligations that affect a broad range of agricultural and food products, even programs that were thought to be non-trade distortive or "green". "This situation needs to be fixed and the rules clarified! There are two ways to clarify the rules: litigation and negotiation. We expect the Canadian government to show strategic leadership on this issue," adds Jean Grégoire, DFC's newly elected president. The study uses several examples of programs that are at risk of being found inconsistent because the dispute settlement process has made decisions that have broad implications. The report demonstrates that various countries could find themselves in breach of their WTO obligations. Based on the findings of this report, Dairy Farmers of Canada urges the Government of Canada to ask for consultations at the WTO in order to clarify the rules and their interpretation.

NEW CWB PROGRAM ALLOWS FARMERS ACCESS TO 80% OF INITIAL PAYMENT: On July 22 the Canadian Wheat Board (CWB) launched a pre-delivery top-up program (PDT) to provide farmers with access to a greater portion of the value of their grain before delivery. The funds the CWB will make available through this new program will top-up the amount of money farmers receive through the fall cash advance program. Amounts received under the PDT will be repaid through deductions on farmers' adjustment, interim and final payments. Farmers will pay interest - at prime - on money received through the program and they can repay at any time without penalty. For the 2003/04 crop year, this will be a pilot program on the CWRW, CWES, CPSR, CPSW, CWHW and CWSWS classes of wheat. If the pilot program is successful, it could be expanded to other classes of wheat and other grains.

HOT AND DRY IN SASKATCHEWAN: Hot, dry weather and insects continue to stress crops, according to Saskatchewan Agriculture, Food and Rural Revitalization's July 20 crop report. Some areas north of a line between Estevan, Moose Jaw and Lloydminster saw localized thundershowers, but hot, windy weather during the week prevented the moisture from having the maximum benefit. Crops are advancing and early-seeded crops are beginning to ripen in some areas. Peas could be ready to combine in a few weeks. Provincially, spring cereals and oilseeds are at 67% of normal development and 12% ahead of normal; pulse crops are 71% of normal development and 13% ahead of normal; and fall cereal crops are at 72% of normal development and 24% ahead of normal. During the past week, crop conditions, on a provincial basis, either held their own or deteriorated. Deterioration was most evident in durum, triticale, mustard, pulse, and canary seed crops. Topsoil moisture conditions deteriorated with 34% of crop reporters rating conditions on crop land as adequate, compared with 50% last week. Insects were again the main source of crop damage and included grasshoppers, aphids, leaf hoppers, cutworms, and wheat midge. Other sources of crop damage during the past week were heat and drought stress, wind, hail, disease, and gophers.

ONTARIO CROP CONDITIONS: According to the July 18 Ontario Ministry of Agriculture and Food (OMAF) crop update, most early-planted corn and all corn that was planted under suitable soil conditions looks very good. The tough conditions that much of the crop was planted in have not significantly impacted Ontario's soybean crop to date, says OMAF. Sporadic rainfall across much of the province has allowed the crop to develop well. In

general moisture levels are good, especially compared to the last two summers. This availability of moisture will allow farmers to keep many more soybean flowers per plant compared to 2001 and 2002, resulting in better yield potential at this point. Ontario's winter cereal harvest has begun. OMAF says that early reports show excellent wheat yields of 90 to 100 bu/acres and winter barley above 100 bu/acres. Trade sources indicate that the winter wheat crop should exceed two million metric tonnes (MMT) with approximately 1.2-1.3 MMT available for export. Some winter wheat quality concerns exist. Fusarium damage is evident in wheat samples, from 0.5% to slightly above 1%. Toxin levels range from 0.5 ppm (food quality) to well above 2.0 ppm (feed wheat).

ONTARIO APPLE GROWERS ACCEPT NEW MARKETING PLAN: Ontario apple growers have voted 72% in favor of a new regulated marketing plan which falls just short of a marketing board, reports the July 21 *Agriweek*. The proposed plan, yet to be named, will have the authority to negotiate prices with apple processors, but not for the fresh apple trade. All growers with 10 acres of orchards or more will pay \$20 an acre to support the organization. The previous apple commission was dissolved last year also after a grower vote.

WESTERN CANADIAN WHEAT GROWERS ASSOCIATION TO CONTINUE: According to the July 21 *AgriLine*, the Western Canadian Wheat Growers Association, which announced last month that it is closing shop, is being reorganized and will continue. A committee including former executives is working on a recovery plan.

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